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Optimism Among Pennsylvania Businesses Increasing

Summary: Recently the Lincoln Institute of Public Opinion released its annual Spring Keystone Business Climate Survey. This latest survey showed a decided pickup in optimism among Pennsylvania businesses. This upturn parallels a rise in business optimism nationally.

The survey asked 325 executives from all over the Commonwealth about their thoughts on the state of the economy, about current policy issues, as well as about the performance of state and federal level officials. Over the past few years, iterations of this survey have shown optimism to be in short supply, but the 2017 version shows changes in business attitudes. The survey is conducted twice each year.

There are six questions about the business climate that are consistently on each survey regarding business conditions, employment levels, and sales. For the first time in quite a while, a more optimistic tone dominates the answers.

For example, when asked how they would rate business conditions in Pennsylvania today when compared to six months ago, 26.6 percent of the respondents answered that conditions are better. The results from the spring and fall 2016 surveys were 5.7 and 4.97 percent respectively. Furthermore, fifty percent claimed that conditions were the same as six months ago, up from 39.5 percent and 45 percent in the two previous surveys, while only 19.6 percent said they had deteriorated compared to 53.4 and 49.7 percent respectively in the spring and fall surveys.

When asked how they think business conditions will be six months down the road, 35.7 percent of the respondents indicated that they believe conditions will be better than they are today. This is compared to just 7.9 percent of spring 2016 respondents and only 5.3 percent in the fall of 2016. The percent of respondents indicating that conditions will likely be the same was 41.7 percent which is comparable to 40.8 percent in the spring of 2016 and 46.8 percent in the fall of 2016. The difference can be seen in the percent of those responding that conditions will get worse. In the current survey only 18.2 percent believe conditions will get worse compared to 46.7 and 43.5 percent who thought they would get worse in the two previous surveys.

It is worth noting that the percent of respondents claiming that business conditions are/will be better in the above questions is the highest they have been in a long time. Responses to

the “are things better” question are the highest since 2005 while the number who think things will get better are at its highest point since coming out of the recession in 2011.

Optimism regarding employment levels in six months has also improved dramatically with 27.6 percent of respondents indicated those levels will be higher. This is nearly twice as high as a year ago compared to the spring 2016 rate of only 14.6 percent.

This optimism may have its basis in the actual business activity that the executives experienced. When asked how company sales today compare with those of six months ago, 26.6 percent indicate that they are better. This compares to just 18.2 percent one year ago and 21.1 percent in fall 2016. The percentage of executives claiming that sales have lagged the level six months ago is just 24.4 percent. In the spring of 2016 that percentage was 39 percent and in the fall it was nearly 40 percent. Again, sales would provide tangible evidence on which to base the optimism.

When asked if they believe how their sales levels would change relative to today, 47.1 percent indicated that sales would be better. This is nearly double the percentage from the fall survey at 24.1 percent and significantly higher than last spring at 27.2 percent. But more importantly only 8.7 percent indicated that sales would be worse six months from now. This is in sharp contrast to the 23.3 percent in the fall survey who thought sales would decline.

Results from the Lincoln Institute’s Spring 2017 Keystone Business Climate Survey show levels of optimism not seen in quite some time—at least since before the last recession. Causes for this optimism can be debated, but one factor could be the current president’s approval rating that was nearly 70 percent. The two previous surveys had given the former president approval ratings of 8.8 and 11.1 percent respectively (his highest rating was 28 percent in fall 2012). This suggests that optimism stems more from national influences than state ones. In fact, the current Governor’s approval rating is just 16.4 percent, but is his highest level to date. While this is much better than his two previous ratings of 5.4 and 6.9 percent, it does not approach a high enough level to imply business executives place credit for their optimism at the state level.

It remains to be seen if this upturn in optimism persists as federal and state level policy and regulation changes unfold. But for now there seems to be a definite shift toward more optimism from business executives throughout the Commonwealth.

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